

STATELINE MIDWEST ISSUE BRIEF

● ● ● MIDWEST-CANADA RELATIONS

Programs aim to ease border congestion, reduce cost of doing business between U.S. and Canada

With the North American economy becoming ever more integrated, delays at the U.S.-Canada border have the potential to become increasingly expensive.

A report by the Metropolitan Policy Project of the Brookings Institution noted that a well-functioning border is “vital for national prosperity, for each [country] is the other’s largest trading partner, and much of that trade is in intermediate goods that support the binational production of finished products, most notably autos.”

Robert Pastor, director of the Center for North American Studies at American University, told the Midwestern Legislative Conference Midwest-Canada Relations Committee last summer that up to 10 percent of the cost of a product manufactured in North America is due to border and trade inefficiencies at the point that goods cross between Canada and the U.S.

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In a recent report for the Canada Institute, trade expert Laura Dawson cites another statistic: Delays at the border add \$800 to the price of a car made in North America. The delay is not only due to long lines of traffic. The integrated nature of the auto supply chain means that components might cross the border seven times, each time subject to inspections and fees, before a car is fully assembled.

Dawson says some companies that rely on supplies from across the border have moved from a just-in-time delivery system to “just-in-case production,” stockpiling inventory and doubling up on orders — a necessary but expensive business move.

Only three states in the region — Michigan, Minnesota and North Dakota — share a land border with Canada, but all 11 states in the Midwest have an economic stake in efficient

QUICK FACTS: EXPEDITED BORDER CROSSING PROGRAMS FOR PEOPLE AND GOODS

» **Customs-Trade Partnership Against Terrorism (C-TPAT)** — a voluntary program open to manufacturers, importers, freight forwarders, customs brokers, air, rail and sea carriers and others. Members of C-TPAT must meet certain security standards and ensure the integrity of their supply chains. In return, they receive benefits like expedited processing of their goods. The program now has over 10,000 certified partners.

» **Free and Secure Trade (FAST)** — a commercial clearance program for known low-risk shipments. Commercial drivers from the U.S., Canada and Mexico can apply. Following a background check, they are eligible for expedited border processing into the U.S., and can use dedicated traffic lanes, at land borders. Their cargo must be C-TPAT certified. There are 78,000 commercial drivers enrolled in the FAST program and 17 ports of entry on the northern border with FAST lanes.

» **NEXUS** — a joint program of the U.S. and Canadian governments, which is open to citizens and permanent residents of both countries. Developed for frequent business travelers and tourists, the program requires a background check. NEXUS members can use designated lanes at airports and at land and waterway crossings. The NEXUS card is a radio-frequency ID card. By March of 2012, over 650,000 NEXUS cards had been issued.

land-border operations. In October 2012 alone, surface trade (mainly via truck traffic) between the United States and Canada totaled \$48 billion, and five of the top 10 U.S. states for trade value are in the Midwest (see table).

Due to inadequate roads and border facilities, trucks now are subject to delays; shipments are also slowed due to the operation and management of the border and long wait times for inspections. But there are now several programs in place to make crossing the border easier for truckers, shippers and business and leisure travelers (see box).

The people and companies that take part in these



The Council of State Governments
Midwestern Office
701 E. 22nd Street, Suite 110
Lombard, IL 60148-5095
Phone: 630.925.1922
Fax: 630.925.1930

email: csgm@csg.org
website: www.csgmidwest.org

programs have access to special lanes at airports and land borders that allow them to bypass long lines.

A new bridge, and new plans for managing the U.S.-Canada border

Other recent movement at the state, provincial and federal levels of government may soon lead to other improvements at the border.

Michigan Gov. Rick Snyder reached an agreement last year with the government of Canada to build a publicly owned international bridge crossing that would relieve traffic congestion on the 83-year-old Ambassador Bridge, the busiest commercial crossing in the United States.

The new span will provide an alternate route in case the Ambassador Bridge needs to be temporarily shut down and, by way of a new access highway, keep traffic off city roads in Windsor, Ontario. The privately owned Ambassador Bridge was never fully integrated into the highway system, so trucks traveling into the United States must use local roads to access the bridge.

Meanwhile, through the bilateral Beyond the Border initiative, the U.S. and Canada are in the midst of a multi-year effort focusing on a number of issues, including border management. The effort has resulted in a series of reforms and pilot projects designed to streamline the border-crossing process.

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One pilot program of the countries' Beyond the Border Action Plan will allow for pre-inspection of goods coming into the U.S. from Canada, thus moving inspections away from border facilities and removing a source of potential delays.

In March, U.S. Department of Homeland Security Secretary Janet Napolitano and Canadian Public Safety Minister Vic Toews signed a memorandum of understanding to begin a truck cargo pre-inspection pilot project. This has been a long-sought-after reform by many businesses, whose shipments are subject to traffic backups and inspections that can delay trucks for hours.

Under this pilot project, U.S. Customs and Border Protection officers will have a pre-clearance area on Canadian

Surface trade with Canada, by value of cargo				
State	October 2011	October 2012	Annual percent change	Ranking in top 10 (if applicable)
Illinois	\$4.4 billion	\$4.6 billion	+5.6%	2
Indiana	\$1.5 billion	\$1.6 billion	+9.2%	10
Iowa	\$605 million	\$658 million	+8.8%	N/A
Kansas	\$333 million	\$365 million	+9.6%	N/A
Michigan	\$5.7 billion	\$6.7 billion	+18.5%	1
Minnesota	\$1.5 billion	\$1.7 billion	+12.5%	9
Nebraska	\$222 million	\$268 million	+21.4%	N/A
North Dakota	\$443 million	\$538 million	+21.5%	N/A
Ohio	\$2.9 billion	\$2.9 billion	-1.5%	4
South Dakota	\$78 million	\$95 million	+21.9%	N/A
Wisconsin	\$911 million	\$980 million	+7.6%	N/A

Source: U.S. Department of Transportation, Bureau of Transportation Statistics

soil, where they can conduct primary inspections of shipments bound for the United States. There are a number of border-crossing facilities that are not able to expand enough to keep pace with vehicle traffic, and the pre-inspection program could remove the back-ups at some of these facilities.

Through the Action Plan, the U.S. and Canada have begun an effort to inspect cargo only once that comes to one country from overseas but is then shipped to the other by land. A pilot project is under way for marine cargo, under a "cleared once-accepted twice" program at the port of Prince Rupert, British Columbia. The pilot project is for containers that will be shipped to the U.S. by rail.

Cargo bound for the U.S. coming in to Prince Rupert would be inspected by Canadian officials at the port of entry, and then again at the land border to the United States. Under this program, the U.S. conducts a threat assessment of cargo in advance and identifies certain cargo to be inspected.

Inspections are carried out by Canadian Border Services Agency officials on behalf of the United States. Once the inspection is completed, high-security bolt seals are affixed to cargo going to the United States, and the cargo will not need to be inspected again at the border.

These measures are examples of the vision behind the Beyond the Border accord: to streamline border operations and simplify trade and for travel. The pilot projects are the first steps in what is likely to be a larger effort to eliminate duplicate inspections, expand pre-clearance programs and improve infrastructure at the border.

 Article written by Ilene Grossman, the CSG Midwest assistant director who provides staffing services to the Midwestern Legislative Conference Midwest-Canada Relations Committee. She can be reached at 630.925.1922 or igrossman@csg.org.

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